



Ajit Pai
Commissioner

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, DC 20554

May 31, 2016

Mr. Chris Henderson
Chief Executive Officer
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

Dear Mr. Henderson,

Thank you very much for your letters dated May 2, May 18, and May 25 regarding the waste, fraud, and abuse that has riddled the Universal Service Fund's Lifeline program since wireless resellers began participating in this program in earnest in 2009. I appreciate your responsiveness.

My last letter to you explained how the Commission's recent investigation of Total Call Mobile revealed apparent holes in the federal safeguards that are supposed to protect taxpayer funds. For example, the National Lifeline Accountability Database (NLAD) is intended to verify a person's identity and address, among other things, before deeming that person eligible for Lifeline support. Identity verification is done by a third party, which reviews a person's first and last name, date of birth, and the last four digits of his Social Security number. But the FCC learned how Total Call Mobile's agents apparently overrode these third-party identity verification (TPIV) safeguards of the NLAD for 99.8% of its new subscribers in the last quarter of 2014.

Your responses have confirmed that Total Call Mobile was not alone. Three of the companies identified by Total Call Mobile's agents indiscriminately overrode the TPIV safeguards between October 2014 and February 2015. [REDACTED] overrode the safeguards for 98.5% of its new subscribers; [REDACTED] overrode the safeguards for 96.2% of its new subscribers; and [REDACTED] overrode the safeguards for 96% of its new subscribers. Furthermore, eight other wireless resellers overrode federal safeguards more than half of the time between October 2014 and February 2015: [REDACTED] (99.5%), [REDACTED] (99.4%), [REDACTED] (97.6%), [REDACTED] (95.3%), [REDACTED] (92.7%), [REDACTED] (89.4%), [REDACTED] (74.2%), and [REDACTED] (50.6%).

The aggregate numbers for just these five months of enrollment are staggering. Roughly one third of the 2.5 million Lifeline subscribers enrolled by wireless resellers, or 821,482 subscribers, were enrolled using a TPIV override. And, even setting aside Total Call Mobile, the other 11 wireless resellers mentioned above were responsible for 616,937 of those enrollments. That's outrageous.

I commend USAC for changing the TPIV override process on February 2, 2015, to stem this widespread abuse. But I remain concerned that existing safeguards still may let unscrupulous carriers exploit the program. As explained in your letter and on USAC's website,¹ USAC staff still does not review any document that verifies a person's identity before authorizing a TPIV override (now called a "TPIV dispute resolution"). Instead, staff only review a certification from the carrier that the requisite documents are in order. In other words, the integrity of the process relies on the integrity of the carriers—the only ones who know if a subscriber's identity is legitimate.

¹ USAC, Third Party Identity Verification (TPIV) Failure Resolution, <http://www.usac.org/li/tools/nlad/dispute-resolution/tpiv-failure-dr.aspx>.

277,599 subscribers have been enrolled through the new TPIV process, with some wireless resellers relying on that process much more heavily than others. Six of the wireless resellers identified above have relied on the new TPIV override process more than a 1,000 times: [REDACTED] (48,908 overrides), [REDACTED] (20,656), [REDACTED] (10,817), [REDACTED] (5,010), [REDACTED] (2,449), and [REDACTED] (1,307). Four other wireless resellers— [REDACTED] (32,052), [REDACTED] (31,628), [REDACTED] (17,540), and [REDACTED] (3,649)—have also frequently overridden these federal safeguards.

That's not all. Although the NLAD is also supposed to verify a person's address, it allows carriers to override that check with the press of a button. As USAC's website explains,² staff does not review any document that verifies a subscriber's address before authorizing an address override. Instead, if a carrier indicates that an enrollee's address is in a rural or tribal area and thus is not verifiable by the United States Postal Service, the override is automatically granted. As a result, here too the integrity of the process still depends on the integrity of the carriers—the only ones who know if a subscriber's address is legitimate.

494,921 subscribers have been enrolled through the address override process since October 2014, with some wireless resellers relying on that process much more heavily than others. Fourteen of the wireless resellers identified above have relied on the address override process more than 1,000 times: [REDACTED] (158,336 overrides), [REDACTED] (85,101), [REDACTED] (70,425), [REDACTED] (41,779), [REDACTED] (30,761), [REDACTED] (15,779), [REDACTED] (13,881), [REDACTED] (5,659), [REDACTED] (5,463), [REDACTED] (5,262), [REDACTED] (3,463), [REDACTED] (3,110), [REDACTED] (2,351), and [REDACTED] (1,990). One additional wireless reseller— [REDACTED] (8,880)—has also frequently overridden these federal safeguards.

There is apparently much work to be done before American taxpayers can know that the money they contribute each month to the Fund is not wasted or put to fraudulent use. In our continued effort to investigate and combat the waste, fraud, and abuse that has plagued the Lifeline program, I respectfully request that you provide the following information to my office:

1. Your responses highlight 13 wireless resellers that have frequently overridden federal safeguards and were not identified in my original letter (*i.e.*, [REDACTED]). For each of these wireless resellers, please provide:
 - a. A description of any investigations, audits, or reviews that USAC has conducted on such companies from October 2014 to the present, along with any such reports drafted or issued by USAC or, in the case of no such report, a summary of USAC's findings.
 - b. If USAC informed any such carrier of duplicate enrollments, the number of duplicate enrollments involved and the date(s) on which the carrier de-enrolled them.
 - c. To the extent USAC knows, how many subscribers for each carrier relied on Supplemental Nutrition Assistance Program (SNAP) cards for eligibility verification and how many of such subscribers used temporary or blank SNAP cards for such verification.
2. Please explain the rationale and the process USAC used to establish the current TPIV override process (now called the TPIV dispute resolution process). Specifically, please

² USAC, Address Resolution, <http://www.usac.org/li/tools/nlad/dispute-resolution/address-resolution.aspx>.

explain why staff do not review any documents identifying a person before authorizing a TPIV override.

3. Please describe any investigations, audits, or reviews that USAC has conducted from October 2014 to the present to verify that subscribers enrolled through either the previous or the current TPIV override process did in fact provide proper documentation to establish their identities. Please include any such reports drafted or issued by USAC or, in the case of no such report, a summary of USAC's findings.
4. Please explain the rationale and the process USAC used to establish the current address override process. Specifically, please explain why staff do not review any documents establishing a person's address before authorizing an address override.
5. Please describe any investigations, audits, or reviews that USAC has conducted from October 2014 to the present to verify that subscribers enrolled with an address override did in fact provide proper documentation to establish their addresses. Please include any such reports drafted or issued by USAC or, in the case of no such report, a summary of USAC's findings.
6. In your May 18 letter, you explained that USAC has the ability to compare the number of subscribers in NLAD with the number of subscribers reported on the Form 497 on a case-by-case basis. I am interested in comparing those numbers on a monthly basis for each of the 16 identified wireless resellers, and my staff has identified a sample state for each one to make this inquiry more tractable. For each month from October 2014 to the present, please provide the number of subscribers in the NLAD as well as the number of subscribers reported on relevant Forms 497 for:

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| a. [REDACTED] in Ohio, | i. [REDACTED] in Oklahoma, |
| b. [REDACTED] in Michigan, | j. [REDACTED] in Pennsylvania, |
| c. [REDACTED] in Georgia, | k. [REDACTED] in New York, |
| d. [REDACTED] in Oklahoma, | l. [REDACTED] in Maryland, |
| e. [REDACTED] in Puerto Rico, | m. [REDACTED] in Kansas, |
| f. [REDACTED] in Minnesota, | n. [REDACTED] in Kentucky, |
| g. [REDACTED] in Hawaii, | o. [REDACTED] in Rhode Island, and |
| h. [REDACTED] in Oklahoma, | p. [REDACTED] in Arkansas. |

Again, I appreciate USAC's continued work to protect the American taxpayer and safeguard the Universal Service Fund. Given the many millions in taxpayer funds already lost to waste, fraud, and abuse through the Lifeline program, I ask that you respond with the requested information by June 14, 2016. If you have any questions, please feel free to contact Nicholas Degani in my office at (202) 418-2000.

Sincerely,



Ajit Pai
Commissioner
Federal Communications Commission